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Budget
2004Learning: Cornerstone
of Canada's Economic
and Social Progress

March 23, 2004

Canada

"Knowledge is the road both to economic progress and individual opportunity, and education is the bridge to take us there."

Ralph Goodale, Minister of Finance
2004 Budget Speech

The Importance of Learning

Success in today's economy requires a well-educated and skilled population. Learning is the key to securing a higher standard of living and a better quality of life for all Canadians.

Canadians recognize the learning process starts with the birth of a child and continues throughout adulthood. Budget 2004 reflects this by:

- Introducing a new Canada Learning Bond (CLB), which will provide up to \$2,000 for children born after 2003 in families entitled to the National Child Benefit supplement.
- Significantly enhancing Canada Education Savings Grant (CESG) matching rates for low- and middle-income families
- Accelerating funding for early learning and child care
- Introducing a new up-front grant of up to \$3,000 for first year post-secondary dependent students from low-income families.
- Providing an annual up-front grant of up to \$2,000 for eligible students with disabilities.
- Updating and enhancing the Canada Student Loans Program.
- Taking the first steps toward a Workplace Skills Strategy.

Helping Families Plan for Post-Secondary Education

Budget 2004 introduces targeted measures to help low- and middle-income families save for their children to go to college or university.

Canada Learning Bond

Starting in 2004 a \$500 Canada Learning Bond will be provided at birth for children in families that are entitled to the National Child Benefit (NCB) supplement—generally families with incomes under \$35,000.

Subsequently, these children will qualify for \$100 CLB instalments until age 15, in each year their family is entitled to the NCB supplement.

Children born after 2003 who are not eligible for the CLB at birth but become entitled to the NCB supplement in a subsequent year will qualify at that time for a \$500 CLB. Thereafter, they will qualify for annual \$100 CLB instalments, in each year their family is entitled to the NCB supplement.

The CLB will be paid into a registered education savings plan (RESP) established by the family for the child's post-secondary education. An additional \$25 will be paid with the initial \$500 bond in recognition of the cost of establishing an RESP.

A child in a low-income family could receive CLB payments totalling up to \$2,000, which—with a 3.5 per cent real rate of return—could be worth up to \$3,000 by age 18.

It is estimated that in 2004 the CLB will benefit over 120,000 newborns, at a cost of \$85 million.

Canada Education Savings Grant

Currently, for every \$100 contributed to an RESP, the government provides a \$20 grant called the Canada Education Savings Grant (CESG). The CESG can be as much as \$400 a year for each child.

Budget 2004 proposes that, beginning in 2005, this 20-per-cent matching rate be doubled to 40 per cent for families with incomes up to \$35,000. It also proposes increasing the rate to 30 per cent for families with incomes between \$35,000 and \$70,000. These enhanced CESG rates will apply to the first \$500 contributed in a year to a child's RESP.

The enhanced CESG will be available to the families of more than 4.5 million children. It is expected to cost \$80 million annually.

How the CLB and enhanced CESG may help a child in a family earning \$30,000 annually:

- Madeline is born in 2004. Her parents together earn \$30,000 annually and receive the NCB supplement each year.
- Madeline would receive the \$500 Canada Learning Bond at birth and payments of \$100 a year until she reaches 15, for a total of \$2,000. Invested in an RESP, this could grow to \$3,000 by the time she reaches 18.
- In addition, if Madeline's family puts \$4 per week into the RESP, the Government of Canada would match these contributions at a rate of 40 per cent under the CESG. Over 18 years, RESP contributions would grow to \$7,500. With the CLB, total savings in the RESP could reach \$10,500.
- This would be enough to finance three years of tuition at a typical community college.

Early Learning and Child Care

Early learning and child care play an important role in the development of young children.

Budget 2004 proposes to accelerate implementation of the Multilateral Framework on Early Learning and Child Care by providing an additional \$75 million in 2004–05 and \$75 million in 2005–06.



The total federal commitment to early learning and child care will be \$375 million over the next two years. This is an increase of two-thirds over previously committed funds. It will mean up to 48,000 new child care spaces or up to 70,000 fully subsidized spaces for children from low-income families.

Budget 2004 also adds a further \$10 million over four years for early learning and child care services for First Nations children living on reserves. This brings the federal government's total investment to \$45 million.

Easing the Transition to Post-Secondary Education

To encourage entry into post-secondary studies, the Government will provide eligible first-year post-secondary students from low-income families with a new up-front grant as part of the Canada Student Loans program.

The grant will be for one-half of the cost of tuition up to a maximum of \$3,000.

It is estimated that 20,000 dependent students will receive the new grant each year, at a cost of \$30 million starting in 2005-06.

Further, to encourage persons with disabilities who are eligible for student loans to participate in post-secondary education, a new up-front grant of up to \$2,000 will be introduced. More than 6,000 students a year will benefit from this measure, at a cost of \$15 million starting in 2005-06, rising thereafter.

Enhancing Canada Student Loans

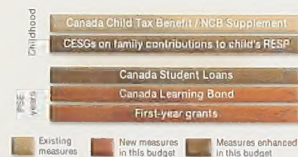
It is estimated that in 2000-01, 60 per cent of students had a federal or provincial student loan.

To reflect increases in education costs since 1994, the federal loan ceiling for Canada Student Loans will be increased to \$210 from \$165 a week. The increase also takes into account the growing need for study tools, such as computers.

This measure will increase student loan costs for the Government of Canada by an estimated \$74 million starting in 2005-06.

Furthermore, to broaden eligibility for Canada Student Loans and provide more assistance for those who already qualify, the parental contribution expected from middle-income families will be reduced. This measure would provide more access to student loans for 40,000 families.

Federal Support for Low-income Students



Easing Undue Financial Burdens After Leaving School

The current Canada Student Loans program recognizes that the transition from school to workplace can be difficult. As such, it provides debt management measures—interest relief and debt reduction—for graduates facing financial hardship in repaying their loans after leaving post-secondary education.

To further assist borrowers experiencing difficulty in repayment, the income thresholds used for determining eligibility for interest relief will be increased by 5 per cent.

For borrowers who remain in financial difficulty after exhausting interest relief, the maximum amount of debt reduction will be increased to \$26,000 from \$20,000. This is to ensure that the increase in the weekly loan ceiling does not result in greater financial hardship for borrowers experiencing long-term difficulty in repaying their loans.

The cost of these two measures is estimated to be \$8 million in 2005-06.

As well, current debt management measures will be reviewed with the aim of simplifying and improving them to better reflect the capacity of borrowers to repay their debts.

Encouraging Lifelong Learning

"To ensure that the benefits of a growing economy are shared fairly, we must be a nation that provides its citizens with the opportunity to improve their skills over the full course of their lives."

Ralph Goodale, Minister of Finance
2004 Budget Speech

The Government of Canada is moving forward on its Workplace Skills Strategy. In developing a strategic plan for workplace skills of the future, the Minister of Human Resources and Skills Development will seek advice from employers and workers, industry associations, skills providers, provinces and communities.

As an immediate measure, Budget 2004 provides \$15 million over two years for a pilot project to provide matching funding for union-based training centres. The funding will be used to purchase new equipment and machinery to meet current industry standards and requirements.

This budget also provides an additional \$15 million a year to provide skilled immigrants with work-related language training at more advanced levels.

Furthermore, Budget 2004 makes the education tax credit available to employees who pursue career-related studies.

Better Opportunities for Aboriginal Canadians

The Government is committed to bringing about concrete improvements in the economic opportunities and living standards of Aboriginal Canadians.

Budget 2004 confirms the five-year funding for the Aboriginal Human Resources Development Strategy and provides \$125 million over five years to replace funds that were scheduled to end on March 31, 2004.

This funding will enable continuation of programs and services provided to urban Aboriginal clients. It will also ensure training for the organizations administering the strategy and access to quality child care for many First Nations and Inuit clients while they pursue training or employment opportunities.

How Can I Get More Information on Budget 2004?

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